

# Massachusetts Medicaid Ready To Try P4P

By Ric Gross

Massachusetts' commercial healthcare system has been quick to adopt and expand pay-for-performance programs, and now the state is taking a logical, if unusual, next step: adopting pay-for-performance in the Medicaid program.

Massachusetts was one of the original markets for Bridges to Excellence, a Washington, D.C.-based coalition of employers, physicians and health plans that developed measures for diabetes and cardiac care, as well as a reward system designed to encourage technology upgrades.

The state's top three HMOs—Blue Cross Blue Shield of Massachusetts, Harvard Pilgrim Health Care and Tufts Health Plan—are collaborating on BTE programs, in essence continuing the pilot program that the employers launched three years ago.

In addition, virtually all the HMO heavy-hitters in the market have P4P programs in place, and now the MassHealth (Medicaid) program is stepping up to the plate with a P4P effort of its own.

The prevalence of such programs is not surprising in Massachusetts, a state that has bucked the trend of plan participants exiting HMOs in droves.

"I think pay-for-performance has a lot of affinity with managed care models in general, focusing on giving physicians and hospitals incentives to improve quality," said Meredith Rosenthal, associate professor of health economics and policy at the Harvard School of Public Health. "It is not too surprising it has picked up in historically strong managed care markets, like Massachusetts and California, and the upper Midwest. Physicians here and there are more likely to be organized in integrated groups, or at least affiliated practices, and that makes pay-for-performance and performance measurement in general easier."

**MassHealth Involved.** When the state passed its much-ballyhooed universal healthcare initiative in April 2006, the sweeping legislation included a provision to make Medicaid hospital rate increases contingent upon quality measures, including measures of the reduction of racial and ethnic disparities in the provision of healthcare.

"The pay-for-performance program is an important part of Massachusetts' efforts to improve healthcare quality and reduce racial and ethnic disparities," said Secretary of Health & Human Services JudyAnn Bigby, M.D. "Through this initiative, the state and its hospitals can work collaboratively to ensure that people get the very best care possible."

The program begins for acute-care hospitals in October, when the new hospital contracting year begins, with \$20 million allocated for incentive payments in fiscal year 2008. The Executive Office of Health and Human Services is developing benchmarks with a baseline "minimum threshold" and a "best practice benchmark" established for each measure. For

the most part, the benchmarks will be drawn from national performance measures.

Hospitals must meet the minimum threshold to get any incentive payment and are rewarded both for improvement during the year and for the achievement of the best practice benchmark. However, in some areas no baseline data exist yet to calculate benchmarks. According to state officials, in these "pay-for-reporting" areas, hospitals will receive payment for reporting data in year one, and MassHealth will then use these data to develop benchmarks in the years ahead.

Incentive payments will be paid as a bonus at the end of the year, contingent on meeting performance goals. For fiscal year 2008, hospital incentives will be based on five areas—maternity and newborn care; community acquired pneumonia; surgical infection prevention; children's asthma; and health disparities.

**Massachusetts' P4P Landscape.** Meanwhile, the state's top two insurers—The Massachusetts Blues and Harvard Pilgrim—continue to make waves on the P4P front. The Massachusetts Blues nearly doubled to \$189 million the amount it plans to spend on performance incentives, while Harvard Pilgrim recently announced 15 physician groups in Massachusetts, New Hampshire and Maine will receive grants totaling more than \$1.1 million to improve clinical quality and patient safety.

The Massachusetts Blues, the state's largest insurer, have three separate P4P programs. The first is aimed at primary-care physicians. Another, the Group Practice-based Incentive Program (GPIG), is geared to specialists. And hospitals have the Hospital Quality Incentive Program (HQIP), launched in 2005.

"The Blues have spent a lot of time thinking about how to do this right—not that other plans haven't. But due to their size [3 million members], they have the infrastructure to study the issue," Harvard's Rosenthal said. "They tend

## AMA PRINCIPLES AND GUIDELINES FOR P4P

The American Medical Association in 2005 established principles and guidelines for pay-for-performance programs. The AMA believes pay-for-performance programs must be aligned with the following five principles:

- » Ensure quality of care
- » Foster the relationship between patient and physician
- » Offer voluntary physician participation
- » Use accurate data and fair reporting
- » Provide fair and equitable program incentives

Source: American Medical Association

to believe this is an important part of changing the culture, and they stand out in my mind for what they are doing. They have a lot of quality people on staff working on this, as does Harvard Pilgrim.”

Harvard Pilgrim, meanwhile, is touting its bonus program, which will fund initiatives that focus on preventive care, managing chronic diseases and the application of health information technology.

“This year an important measure is that we have six grants for treatment of depression in primary care,” said Joel Rubinstein, M.D., associate medical director, network medical management, for Harvard Pilgrim. “This is an area that is very challenging, both in making the proper diagnosis and following through on treatments in a way scientific guidelines encourage.”

**Is The Jury Still Out?** Even with their widespread acceptance, the effectiveness of P4P programs is still a matter of debate. Rosenthal acknowledged recent studies are mixed, as about half the studies show some effect, while half show no effect.

“Over the last two years there have been a lot of new studies published, and if you put them all together, you kind of get the feeling the effect has been modest,” Rosenthal said. “But these have been baby steps, and it shouldn’t be too surprising we haven’t gotten leaps of quality out of them. But, and I am sure lots would argue, financial incentives work. It is more a matter of figuring out how to design them to get what you want.”

One debate currently raging is whether such programs should be pay-for-value, taking into account the outcome of the patient’s encounter rather than measuring whether a specific list of protocols has been adhered to.

“I think we will see P4P evolve in future. The next step is to reduce waste of the limited resources we have, and work to ensure appropriate care the first time around,” said Omid Toloui, a consultant at Sinaiko Healthcare Consulting. “In addition to quality and P4P measures, we may see more programs collect information on cost and resource use. Essentially programs will start to compare the total resources used to treat a specific patient population over a specific period of time.”

But others say there is room for refinement, now that there are markets like Massachusetts where acceptance is high.

“It has taken a little time for the concept to be proven. Now there is a critical mass of people participating in it and money being poured in,” said Toloui. “More and more payors and coalitions are investing and participating.”

“Of course, there are studies showing some pay for performance programs may not be paying off, or you can get the same types of increase in quality when you have quality improvement programs without financial benefit,” Toloui added. “But the more money invested the more effective it will be.”

**OUTLOOK: The MassHealth P4P program is intriguing, especially considering the efforts to focus on racial and ethnic disparities. However, much like the entire reform, this undertaking will take years before one knows if it is or is not flowing as everyone hopes. Determining the guidelines and benchmarks will be problematic enough, but everyone seems committed to making it work. Meanwhile, expect the local HMOs to continue refining their P4P programs.** ■